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FOR IMMEDIATE RELEASE

(Washington DC) Representative Luis V. Gutierrez (D-IL), Chairman of the Subcommittee on Domestic and International Monetary Policy, Trade and Technology, today made the following statement at a subcommittee hearing entitled, "H.R. 5512, the Coin Modernization and Taxpayer Savings Act of 2008."

"Good Afternoon. The purpose of today's hearing is to consider legislation that has the potential to save taxpayers over 100 million dollars annually by reducing the costs to mint one-cent and five-cent coins.

"Since March of 2003, increasing metal prices caused by high world demand for core metals have driven the cost copper and nickel up by 300 percent, while zinc has increased 450 percent. As a result, the costs of producing our nation's circulating coins have increased dramatically. In Fiscal Year 2007, it cost nearly two cents to make each penny and 10 cents to make each nickel – needlessly costing the American taxpayers nearly 100 million dollars last year alone. These losses will continue to mount unless we act to change the metallic content of our one-cent and five-cent coins.

"The penny and the nickel have been in a negative seignorage situation since 2006. Prior to 2006, the Government had never before spent more money to mint and issue a coin than the coin's legal tender value. The U.S. Mint anticipates that by changing the compositions of just the penny and the nickel to less expensive materials, we can save the Government hundreds of millions of dollars without compromising the integrity or the utility of these coins. In a July 2007

letter to Congress, the Treasury Department, with support of the Office of Management and Budget, requested that legislation be put forward granting the Secretary authority to change the metallic composition of coins.

"H.R. 5512, the "Coin Modernization and Taxpayer Savings Act," gives the Treasury Secretary the requested authority. Under H.R. 5512, the Secretary will have the power to change the metallic content of the dollar, half dollar, quarter dollar, dime, nickel and penny. The bill requires the Secretary to consult with related industry and consider factors related to the effect that changes in coin content may have on industry. In addition, the bill mandates that the Secretary enter into a formal rulemaking when making changes to the content of coins.

"The bill further requires the Mint begin production of a steel penny within six months of enactment. This should result in immediate and substantial savings to taxpayers. For coins besides the penny, the legislation requires that production costs for a coin would have to exceed the coin's face value for five continuous years before the Mint's authority to change the content is effective. This retroactive five-year look-back not only makes certain that the trend in rising metal prices is established in the market and not temporary, but also provides some security to companies and their workers who partner with the Mint in creating new coins.

"If we continue minting coins with the current metal content, with each new penny and nickel we issue, we will also be contributing to our national debt by almost as much as the coin is worth. These losses are mounting rapidly, and with commodity prices forecasted to stay near existing levels for several years, we need to act immediately to give the Mint the flexibility to lower the costs of producing the penny and the nickel.

"I believe that H.R. 5512 will give the U.S. Mint the authority it needs to make the necessary changes to our coins without creating an undue burden on the relevant industries or causing a disruption in the minting process. As always, I look forward to a vigorous debate."

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